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JAPAN'S ROLE IN MULTILATERAL FINANCIAL ORGANIZATIONS

Summary

Now that Japan has become the world's largest creditor, international society naturally expects Tokyo to play a major role in world economic and political affairs. Except for its substantial monetary contributions to various multilateral financial organizations, Japan so far has maintained a very low profile and has seemed reluctant to take any initiatives in the international political field. This is changing. Recent successful attempts by Tokyo to gain more voting power in such multilateral financial organizations as the World Bank, the International Monetary Fund and regional development banks point to a new Japanese attitude toward international policymaking.

While Japan's extensive financial commitments may continue at present levels, or even increase, the opportunities are abundant for a greater role in drafting policies as well as contributing expertise. Given Japan's emphasis on the role of the private sector in helping economies stabilize and develop, any new policy initiatives suggested by Tokyo for multilateral financial organizations might be expected to encourage private-sector input. As Tokyo seeks greater involvement in handling the Third World debt crisis and assisting in the liberalization of newly democratized economies, its political voice may begin to sound as a soloist instead of a member of the chorus.

Passivity, Pressure and Pocketbook Power

Japan's recent role in the Persian Gulf crisis illustrates Tokyo's typical position in international politics. Although the country has pledged about

$11 billion in assistance to the multilateral forces plus $2 billion in aid to frontline states in the Middle East, many in Washington have complained that Tokyo's response is inadequate. Some critics have said that Japan should contribute more in personnel rather than money to show its goodwill as an ally. Others say the pledged amount is nowhere near the commensurate value to Japan of preserving the status quo in the Middle East, on which Japan depends for nearly 70 percent of its oil imports (see JEI Report No. 4B, February 1, 1991). Tokyo's response often looks passive and gives an impression that the country will not take any initiatives without pressure from outside (see JEI Report No. 6A, February 15, 1991). But the Persian Gulf War, which the allies are fighting under a United Nation's Security Council decision in which Japan had no voice, underscores the frustration Tokyo occasionally feels when it is asked for money but not given a role in deciding whether the purpose of the expenditure meets its goals.

As policymakers in Tokyo weigh Japan's involvement in the Persian Gulf War along with public attitudes, their discussions are likely to address a theme that previously emerged in Tokyo's efforts to enlarge its voice in the decisionmaking process of multilateral financial organizations. This theme recognized that those who contribute heavily to an international financing group expect a commensurate share in the policymaking body of such a group. Tokyo's past experiences in achieving more political responsibility provide a study in how Japan has grown more international, letting its pocketbook lead the way.

Financial Support

Tokyo has tried to demonstrate its goodwill through various international forums, including the political and the economic summit meetings of the seven leading industrialized nations, the Organization for Economic Cooperation and Development, the International Monetary Fund and the World Bank. Especially since Japan began accumulating a large trade surplus, made more acute after the appreciation of the yen following the Plaza Accord in 1985, Tokyo has sought to recycle its capital to the Third World, which has suffered from a severe accumulation of debt.

One of the largest financial initiatives taken by this economically stronger Japan was a three-year $30 billion capital recycling plan announced in 1987 by then Prime Minister Yasuhiro Nakasone. Approximately 60 percent of the outlays between FY 1987 and FY 1989 was reserved specifically for contributions to multilateral organizations. Most of the remainder was assigned to cofinancing programs. The direct contributions included $3.6 billion for a special fund at the IMF, $2 billion for a special World Bank fund, $1.3 billion for the Asian Development Foundation (a window of the Asian Development Bank), a $2.6 billion subscription to the International Development Association (the World Bank's soft loan arm) and $8 billion for government subscriptions and private bond purchases for multilateral financial organizations.

An additional $9 billion was used in relation to the multilateral organizations' activities through the form of cofinancing loans. These were administered in conjunction with the Overseas Economic Cooperation Fund, the

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Export-Import Bank of Japan and private banks; they require that developing countries receive cofinancing from a multilateral financial organization, such as the IMF, the World Bank, the Asian Development Bank, the Inter-American Development Bank or the African Development Bank. The remaining $3.5 billion was provided through the Ex-Im Bank as untied bilateral loans (see JEI Report No. 20A, May 20, 1988). At the 1989 economic summit meeting in Paris Tokyo pledged another $35 billion to enlarge the recycling plan and extend it through FY 1991 (see JEI Report No. 28B, July 21, 1989).

Voting Power

As Japan increased the amount of assistance flowing to multilateral organizations, especially since 1987, so did its leaders boost their efforts to gain a greater political say in how these funds were spent. The voting share in most multilateral financial organizations is tied closely to the size of a country's contribution to the capital fund; when one country increases its share, another loses. More accurately, each member country possesses basic equal votes; additional votes are distributed to member countries proportionately to their shareholding in the capital fund. Not all donations, however, go into the capital fund on which voting shares are based. Nations also can contribute to so-called "special funds" or to cofinancing arrangements, which do not figure in the voting rights calculations. It is to these special funds that Japan has made significant contributions in recent years. Therefore, Tokyo wanted its voting power to reflect its substantially increased commitments.

The politically touchy call for a greater voting share requires concessions by other members, especially those that would lose their status. It also often has accompanied an increase in the capital of the IMF and the World Bank funds, which posed a problem for both organizations' biggest contributor, the United States, as it began suffering from budget deficits in the 1980s. An increase in capitalization means Washington has to contribute the largest portion of the increase if it wants to maintain its present voting status, which it has fought to do. Moreover, as the single country in both the World Bank and the IMF with veto power, the United States had tied realignment of voting shares to its demand to retain that veto power.

When the latest rearrangement of shares in the World Bank occurred between 1984 and 1986, Japan's share was raised from 5 percent to 6.5 percent, boosting its ranking from fourth place to second place. Washington agreed to a reduction in its shareholding to 18 percent from 20 percent in exchange for an amendment of the bank's rules enabling the United States to maintain its veto. More accurately, the World Bank decided the increase of capital in 1984 and the rearrangement was accomplished at the end of 1986. Since Japan was one of the first to pay its proposed portion of capital, Tokyo technically has occupied the number-two seat since 1985 (see JEI Report No. 20A, May 20, 1988).

In the realignment sought by Japan in the IMF in particular, the largest European contributors viewed Tokyo's request to enlarge its shareholding from a different position than that of the United States. Their caution stemmed from a concern about their relative ranking as contributors rather than the proportional share of their capital contribution. Since the IMF is one of the most prestigious organizations in international finance, Britain, Germany and France did not want their ranking to fall even though their voting power would remain almost the same.

Major industrialized countries previously had declared their intentions of keeping their status quo in the IMF. Although they had welcomed Prime Minister Nakasone's ambitious $30 billion capital recycling plan, they had added the condition that the initiative not influence Japan's voting power in the IMF, where it held the number-five position at that time despite 20 years of growing contributions. To reconcile the seemingly inconsistent political demands with the arithmetic of increasing Japanese support, Tokyo had been assigning its additional financial contributions to either "special funds" or cofinancing programs since neither approach required rearranging the capital shares.

Not satisfied with this situation, Tokyo continued to call for upgrading its voting status in the IMF. At first Japan tried to convince other member countries of the necessity of a capital increase to respond effectively to the Third World debt crisis. Former Minister of Finance Kiichi Miyazawa proposed at the 1988 IMF-World Bank general assembly a new debt relief plan, which stressed further involvement by the IMF in solving the financial crisis in developing countries. Mr. Miyazawa suggested that the IMF back government bonds that would be issued by recipient countries as security for private banks, which then would accept a reduction of their debt holdings. Although some developing countries showed an interest in Tokyo's proposal, both the United States and European nations responded coolly or ignored the proposal.

Washington, which had been somewhat ambivalent about the IMF being more involved in Third World debt relief, eased its previous reluctance after the Bush administration took office. In 1989 Washington unveiled a debt relief proposal sketched out by Treasury Secretary Nicholas Brady (see JEI Report No. 15B, April 14, 1989). Since the Brady Plan in many ways resembled a revised version of the Miyazawa Plan, Tokyo quickly stood behind the initiative and promised to provide over $10 billion in loans that would parallel those made by the World Bank and the IMF to countries that agreed to negotiate under the new debt relief program. When Mexico and the Philippines were qualified as the first and the second countries where the Brady Plan was applied, the Ex-Im Bank agreed to provide a total of $2.7 billion to these two countries. Some analysts argue that Tokyo's substantial support for the Brady Plan was one way it hoped to win Washington's backing for an increase in Tokyo's IMF voting power. When Finance Minister Ryutaro Hashimoto addressed the IMF's annual meeting in 1989 and sought an increased role for Tokyo at the IMF, he stressed that Japan was the only individual contributor to the debt reduction program for Mexico and the Philippines, two countries in which the United States has had vital interests.

Although Washington supported Tokyo's demand for upgrading its voting power at the 1989 IMF meeting, European countries prevented Tokyo's quest at that time. Germany was also pushing for the number-two ranking if a rearrangement were to take place. France wanted to maintain at least the same ranking, or the number-four position, under any new arrangement. Britain, which had maintained the second-largest voting power since the IMF's establishment, strongly opposed Tokyo's quest, fearing London's new position would be fifth place. Under such opposition Tokyo finally gave up at the 1989 meeting.

But international developments leaned in favor of Tokyo's long-standing goal. Dramatic changes pushed Eastern Europe toward market-based economies and more democratic governments and raised calls among Western nations for substantial financial support to help these countries' progress. Western European

countries with keen interests in their Eastern Bloc neighbors saw an urgent need to enlarge the IMF's financial resources, which would allow some adjustment in shareholdings. Japan, the United States and Europe finally agreed in 1990 to rearrange IMF shareholdings (see Table 1). Although the new arrangement will not be finalized until every member subscribes its proposed portion of the capital, Tokyo will share the number-two seat with Germany while France and Britain both will occupy the number-four position. Although the United States kept its same voting share, Britain lost while the others gained.

Table 1: Changes in IMF Shareholding and Voting Power, Ninth Capital Increase

Until September 1990			After September 1990		
	Share-holding	Voting Power		Share-holding	Voting Power
United States	19.88%	19.10%	United States	19.62%	19.10%
Great Britain	6.87	6.62	Japan	6.10	5.95
West Germany	6.00	5.78	West Germany	6.10	5.95
France	4.97	4.80	Great Britain	5.48	5.35
Japan	4.69	4.52	France	5.48	5.35

Source: International Monetary Fund

Now that its position at the IMF has been readjusted, Japan can claim at least the number-two ranking in all international financial organizations. It has that rank in the affiliated organizations of the World Bank, such as the International Development Association -- the provider of loans on noncommercial terms to low-income developing countries; the International Financial Corp. -- an equity investor in private corporations in Third World countries; and the Multilateral Investment Guarantee Agency -- an investment insurance body endorsing private investment in developing countries (see Table 2).

Holding the second-largest voting power in these organizations, though, has not boosted Japan's low profile in substantial decisionmaking. Some analysts argue that Tokyo so far has conducted itself as a good boy, seconding Washington's initiatives to get support in Japan's bid to win the number-two ranking in the principal international organizations. Whether Tokyo will continue its present attitude or whether it will play a more active, independent role remains to be seen. One indication of its prospects may lie in a recent disagreement between Tokyo and Washington over management of the Asian Development Bank. The dispute over a secondary financing initiative may hint that Tokyo is willing to go solo in certain circumstances.

Asian Development Bank

Japan, the most advanced industrial country in Asia, maintains vital trade and economic relations with the region. In addition, Japan is the largest provider of capital in this part of the world, both in terms of foreign aid and private-sector loans and investment. Since the 1966 establishment of the Asian Development Bank in Manila, Japan has played the predominant role; its 16.4 percent share of the total capital is equivalent to that of the United States

Table 2: IMF and World Bank Group, 1990

	International Monetary Fund	World Bank	International Development Association	International Finance Corp.	Multilateral Investment Guarantee Agency
Year Established	1945	1945	1960	1956	1988
Year of Japan's Entry	1952	1952	1960	1956	1983
Member Countries	154	154	138	138	63
Total Capital (billions)	$183*	$171	$67	$1.3	$1.0
Shareholders					
Japan	6.10%	6.7%	16.5%	6.3%	5.1%
United States	19.62	18.9	25.9	25.4	20.5
West Germany	6.10	5.2	11.4	5.8	5.1
Great Britain	5.48	5.0	8.6	5.4	4.9
France	5.48	5.0	6.4	5.4	5.1
Canada	3.20	3.2	5.0	3.7	3.0
Total Employees	1,862	5,776		604	38
Japanese Employees	25	71		5	3
Japanese Share	1.3%	1.2%		0.8%	7.9%

*Proposed equivalent of 135 billion Special Drawing Rights at 1990's average exchange rate of 1 SDR=$1.35675.

Source: Ministry of Finance

but its ranking is that of number-one. Ministry of Finance officials traditionally have been appointed to head the bank. Currently 64 Japanese officials comprise 3.8 percent of the total staff of 1,670.

Whenever an increase in the ADB's capital has taken place, Tokyo and Washington have been expected to provide the same subscription to maintain parity in voting power. Generally, Japan has been more positive about raising capital, while the United States has acted passively. Since Washington has been unwilling to yield the leading position to Tokyo and usually is reluctant to accept proposals for additional capital, increases at ADB usually take time. To satisfy urgent financial needs among the bank's clients and to avoid influencing the voting share, Tokyo has arranged to contribute to a special fund, called the Asian Development Foundation. While the ADB's capital principally is used for commercial loans to developing countries in the region, the Asian Development Fund is reserved for loans to low-income Asian countries on concessional terms. The size of the ADF amounts to about $10 billion, which is almost half the ADB's capital. Of the total contribution to the ADF, Japan provides 37 percent while the United States chips in only 18 percent.

A plan to establish an Asian Finance and Investment Corp. in 1989 led to a reported dispute between Japan and other major industrialized countries. The proposed organization was to be similar to the World Bank's International Finance Corp., offering equity investment and lending to private companies in the region. While Japan and most Asian countries voiced strong support for the proposal, the United States and European members expressed concern about whether such an organization was needed. They also questioned Japan's proposed predominance since various reports suggested Tokyo had promised to provide about 40 percent of the total capital and nominate the head of the organization (see JEI Report No. 23A, June 16, 1989). When Tokyo agreed to limit its share to about 30 percent, the AFIC was born (see JEI Report No. 31B, August 11, 1989). Jiro Yamana, who had been deputy president of Daiwa Securities Co., Ltd., was appointed as AFIC's first president. This has been one of the exceptional cases in which Japan has taken the initiative in the establishment and operation of an international organization.

Other Regional Development Banks

In other regional financial organizations Japan's presence has been less visible than its work in the Asian Development Bank. Quite recently, however, Japan has taken a more active financial interest in these other organizations. In the case of the African Development Bank, established in 1964, Japan is the second-largest subscriber, providing 5.1 percent of the total capital. This is close to the 6 percent share contributed by the United States, even though Japan joined the bank only eight years ago (see Table 3). Moreover, Tokyo is the largest contributor to the African Development Fund, which functions similarly to the Asian Development Fund; here, Japan provides 14 percent of the resources and the United States contributes 13 percent. In line with Tokyo's capital recycling plan, the Overseas Economic Cooperation Fund, the soft loan arm of Japan's foreign aid program, has organized cofinancing projects with the bank.

Even in the Inter-American Development Bank, where Washington's influence predominates, Tokyo contributes the third-largest amount of capital; its 1.1 percent share is the largest from outside of the region. In addition, the Ex-Im Bank has organized cofinancing programs with the IADB in Chile, Colombia

Table 3: Regional Development Banks, 1990

	Asian Development Bank	Asian Development Fund	Inter-American Development Bank	Inter-American Development Fund	African Development Bank	African Development Fund	European Bank for Reconstruction and Development
Year Established	1966	1974	1959	1959	1964	1973	1991*
Year of Japan's Entry	1966	1974	1976	1976	1983	1973	1991*
Member Countries	49	24	44	44	75	26	40*
Total Capital (billions)	$20.2	$10.2	$60.9	$8.6	$21.2	$7.2	$11.0**
Shareholders							
Japan	16.4%	37.0%	1.1%	2.1%	5.1%	14.0%	8.5%
United States	16.4	18.4	34.7	54.8	6.0	13.4	10.0
West Germany	4.5	6.6	1.0	2.0	3.8	9.2	8.5
Great Britain	2.1	4.6	1.0	1.9	1.5	3.7	8.5
France	2.4	4.5	1.0	1.9	3.4	7.7	8.5
Canada	5.5	8.2	4.4	3.0	3.5	9.9	3.4
Total Employees	1,670		1,694		1,030		n.a.
Japanese Employees	64		3		0		n.a.
Japanese Share	3.8%		0.1%		0.0%		n.a.

*Projected.
**Equivalent of 10 billion European Currency Units at 1989's average exchange rate of 1 ECU=$1.10175.

Source: Ministry of Finance

and Venezuela. Most of the member countries welcome Tokyo's further involvement, and the next annual meeting is scheduled for April in Nagoya. This will be the first annual assembly held by the bank away from the North or South American continents.

Japan also has committed funds to the newly established European Bank for Reconstruction and Development. The bank will begin operations this year in London to facilitate financial support and encourage democratization in Eastern Europe and the Soviet Union. Tokyo has agreed to contribute 8.5 percent of the bank's capital, second only to the United States. Germany, Britain and France each also will give an 8.5 share. European members no longer appear concerned about Tokyo's presence as the second-largest voting power since Japan is expected to be able to contribute substantial financial support in areas where Western European countries hold vital interests. Tokyo, however, is questioning the wisdom of rapidly increasing financial support to the region and especially to the Soviet Union. The Soviet issue is to be discussed at the formal London meeting establishing the bank. Japan is expected to raise its concerns then and may offer restrictions that could influence the operation of the bank.

Contribution of Personnel

Compared to its financial outlays, Japan's contribution in personnel is nearly invisible. There are few Japanese staff members in the various multilateral financial organizations and few appointees to high-ranking posts. Only 1.3 percent of the IMF staff, for example, is Japanese. At the World Bank Japanese personnel make up barely 1.2 percent of the total. Many of the Japanese employees in multilateral institutions hold short-term appointments, especially those occupying high-ranking positions or those sent by the Japanese government or public organizations. Few Japanese personnel apply directly to international organizations for long-term jobs.

Various reasons are given for the lack of Japanese staff in these multilateral bodies. The appreciation of the yen between 1985 and 1988 and the associated fall of the dollar made salaries paid in dollars by the multilateral institutions less attractive to Japanese workers than they had seemed five years earlier, although even then Japanese workers showed little interest in these posts. Language also has served as a barrier as has the requirement by many international institutions that staff members have at least a master's degree.

These reasons, however, do not fully explain the current situation. Many Japanese companies now encourage their employees to get an advanced education at business schools in the United States or Europe. And, as more Japanese government officials gain overseas diplomatic expertise, multilateral institutions offer opportunities for those who face a narrowing seniority ladder. Even lack of income incentives can be overcome if employers provide supplemental pay to employees sent to multilateral organizations. Both the government and the private sector in Japan have an increasing number of staff who would be qualified to serve in an international institution. However, bureaucratic personnel issues (such as job rotations) sometimes complicate the government's ability to assign qualified staff. In the corporate sector it is difficult to find among the eligible Japanese a sufficient number with an interest in working as a staff member in a multilateral institution. Since the career path of Japanese

workers means that those who leave a company even temporarily end up delaying their promotion schedule, workers often hesitate to voluntarily apply for jobs in multilateral organizations. From the employers' point of view, they usually are reluctant to send highly educated employees outside the company unless they have a particular goal to achieve by doing so (see JEI Report No. 43A, November 9, 1990). Moreover, the strong societal push to sign on with a company or join the government right out of school to take advantage of the seniority system means that few individual Japanese will free-lance at these organizations, especially since they would not have government or corporate support in bids for advancement.

Another factor may be that few Japanese have contact with multilateral financial organizations. Except for the Ministry of Finance, most Japanese ministries rarely deal with the IMF or the World Bank. Only a small number of Japanese companies so far have close business relations with international institutions through cofinancing or coinvestment activities. If Tokyo intends to encourage more Japanese from the public and the private sectors to work for international entities, higher visibility of these organizations is important. One way for Tokyo to draw attention is to emphasize that it has an agenda that is distinct from Washington or other world capitals. Active campaigns for the appointment of high-ranking officials is another way, such appointments presumably would serve as role models and help to legitimize and popularize international careers for other Japanese professionals. If the candidates are found in the private sector, this has an incremental effect of improving the chance that businesses interested in increasing their relations with the organizations might provide personnel.

The 1988 appointment of Yoshio Terasawa, vice president of Nomura Securities Co., Ltd., as the executive vice president of the Multilateral Investment Guarantee Agency and the 1989 appointment of Mr. Yamana of Daiwa Securities as the president of the Asian Finance Investment Corp. were historic in that these veterans of more than 25 years in the securities industry became the first and the second Japanese from the private sector to be named to high office in international financial organizations. When Mr. Terasawa's nomination was announced, almost every nationwide daily made him their "newsmaker of the day." The appointments, in some part, resulted from strong lobbying by the Japanese government. It also suggested that multilateral financial institutions, which recently have focused on the introduction of market mechanisms in the Third World and the newly democratized economies of Eastern Europe, expect more Japanese businessmen to contribute in their field of expertise to the operations of such institutions. Since many Japanese government officials and businessmen retire at a relatively early age -- around 60 -- and seek post-retirement positions elsewhere, there is an abundant crop of talent available for multilateral organizations to harvest. Some analysts even anticipate the possibility that a Japanese might be appointed as president of the IMF or the World Bank in the near future, although the former post generally has been held by a European and the latter by an American.

Private Sector's Contributions to Multilateral Organizations

Some observers suggest that the appointments of Messrs. Terasawa and Yamana imply that multilateral organizations may be able to expand their ties with the Japanese private sector in hopes of tapping its financial capacity, technology and management know-how. To encourage the economic reforms taking

place in Third World countries and Eastern Europe, the IMF, the World Bank and regional development banks all have come to realize the importance of private investment in the recipient countries. They have become more concerned about facilitating the private sector's manufacturing activities in severely indebted countries rather than relying on loans -- both from multilateral groups and private banks -- to solve fundamental problems associated with debt accumulation.

Unlike lending from financial institutions, direct investment does not increase the official debt burden of recipient countries. New joint ventures have the potential to expand employment and facilitate technology transfers, which, in turn, strengthen export competitiveness so that these countries can earn hard currency that can be used for debt repayment. Foreign investment also helps introduce market mechanisms, much sought by Eastern European economies as they implement economic and social reforms. Private companies, however, often hesitate to invest in countries where political and economic risks are high or where they do not have much business information. Multilateral organizations thus can play a coordinating role between investors and host countries.

Private companies can access economic information about host countries through international agencies and can convey their demands to the host country's government by way of the multilateral institutions. The World Bank and the IMF monitor the economic conditions of recipient countries and sometimes provide recommendations necessary for improving business circumstances in the countries. The World Bank and its affiliated organizations often host seminars both in developing and industrialized countries to provide useful information to private investors and the host country's government. Regional development banks also have a function similar to that of the World Bank and its sister organizations. The International Finance Corp. facilitates joint ventures between foreign investors and host countries' enterprises by participating itself as a shareholder in an investment and by providing loans to these joint ventures. The simple presence of the international entity can secure the investment. For example, when the Brazilian government in 1987 announced a rescheduling of its dept repayment, IFC-associated projects were exempted from the rescheduling. MIGA, established in 1988, underwrites investment insurance for foreign investors in developing countries. Since MIGA's insurance is accompanied by an accord with the host country's government, insurance claims stemming from political upheavals -- like expropriation -- are expected to rarely occur.

Japanese companies, until recently, have tended to rely on their own resources and to turn to Tokyo or the Ex-Im Bank for additional financial support or to underwrite trade insurance rather than seeking help from international organizations. Moreover, Japanese firms wanting to get help from the World Bank and its affiliated organizations often are obliged to visit headquarters in Washington to negotiate on terms. A shortage of Japanese staff in these organizations also reduces the interest of Japanese investors.

Now, however, international financial organizations are looking to Japanese companies for resources. In the past three or four years the World Bank, the IFC and MIGA have held a series of seminars in Japan to introduce their activities to companies there. Keidanren (Japan Federation of Economic Organizations) has reciprocated by sending two missions, consisting of chief executives of major Japanese companies, to Washington in the last three years to exchange views on further cooperation with high-ranking officials of the international

institutions. Further spelling out its interest in Japanese economic participation, the IFC opened a branch office in Tokyo in 1987 to maintain better contacts with Japanese investors. Of the 185 Japanese companies that have had overseas joint ventures associated with the IFC over the past 25 years, 63 ventures were launched after the 1987 establishment of an IFC Tokyo office. Recent joint ventures include six projects in Hungary where Japanese companies so far have invested very little. Such moves are expected to deepen business relations between Japan's private sector and multilateral financial organizations. As Japan's private sector expands its business relations with these institutions, Tokyo's role in decisionmaking also is expected to become more influential. Just as Tokyo considers private-sector support an important element in the bilateral economic assistance it provides, so does that backup appear important for Japan's role in multilateral institutions.

Conclusion

Japan's recent quest to enlarge its economic and political presence in international financial organizations illustrates that Tokyo is serious about making an international contribution and accepting added global responsibilities, at least in the financial arena. After having achieved its long-standing goal of the number-two ranking in the principal multilateral financial organizations, Tokyo can be expected to take more of a lead in decisionmaking as well as to continue its support through financing and personnel. By taking advantage of financial and technological resources in Japan's private sector, Tokyo may provide innovation in the policies of the multilateral organizations. Lessons learned at the helm of the Asian Development Bank suggest that Tokyo can take the lead in important decisionmaking even if it does not always have the wholehearted consensus of other major industrialized countries.

Secretary of State James Baker recently suggested a plan for establishing a Middle East Reconstruction Bank to cope with the post-gulf war situation. Former Finance Minister Miyazawa reportedly has shown keen interest in the plan and has implied that Tokyo should take a lead in the proposed organization, providing at least $10 billion for the next decade. Mr. Miyazawa's response to Washington's initiative shows that Tokyo is willing to play a more active role in world economic and political affairs in fields that reflect its special strengths and accumulating experience.

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The views expressed in this report are those of the author and do not necessarily represent those of the Japan Economic Institute.

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